

A175 F2
No. 36

95

Man. Hist. Soc.

DEC 5 - 1921

MONTHLY REPORT

Crop and Business Conditions

IN THE

Ninth Federal Reserve District

John H. Rich
Chairman and Federal Reserve Agent
FEDERAL RESERVE BANK OF MINNEAPOLIS
January

February 8, 1918

The interest of banks and business men has been centered in an unusual degree during the month upon the seed situation. The agricultural schools, county agricultural agents of the various states, the bankers of the district, the United States Department of Agriculture and the Federal Reserve Bank, have all been actively interested in trying to solve the problems that are ahead. The North Dakota Legislature has been in special session and some of the Western counties of that state are actively at work on the issue of seed grain bonds for the relief of farmers who were hard hit by last year's crop failure.

MONTANA SEED LAW UNCONSTITUTIONAL

At a conference held late in the month at Helena, the agricultural and banking interests of Montana were in consultation with leading bankers of St. Paul and Minneapolis in an effort to solve the seed problem in that state.

Questions had arisen as to the constitutionality of the Montana Seed Grain Law, giving counties the right under certain conditions to issue bonds and employ the proceeds in the purchase of seed for farmers. Soon after the conference, the Montana Supreme Court found the State Law defective, and in order to provide means of meeting the planting problems in that state, Governor Stewart immediately called a special session of the State Legislature to meet on February 14th for the purpose of adopting a law that will meet the objections found by the Supreme Court and permit the northern and eastern counties of the state to proceed with their plans to issue bonds and employ the proceeds in the purchase of seed grain.

It is of some interest to know that seed grain bonds have not been issued in North Dakota for 25 years. A situation such as exists at the present time when the Legislatures of two north-western states have been called into special session on the same questions, is evidence of the unusual problems that confront the agricultural portions of the district. Serious as they are, these questions will be met. The banks and bankers of the western half of the district are thoroughly alive to the present situation and are prepared to extend the fullest possible measure of banking credit, as a result of the emergency. There are some counties in western North Dakota, more particularly those that are sparsely settled and have large numbers of homesteaders, that are now proceeding with the issue of seed grain bonds and several Montana counties will follow as soon as the new law permits them to do so. This action is not likely to be general in all of the counties that had short crops. The situation can be met in some of the counties without taking advantage of the bonding act.

GOVERNMENT BEGINS TO BUY SEED GRAIN

A survey of the situation in the Western part of the district made by a representative of the Seed Stocks Committee of the Department of Agriculture at Washington shows that North Dakota is not badly off for wheat. The problem in that state is chiefly one of properly distributing the supplies of wheat that are now in the hands of the farmers. Montana is, however, far short of normal spring seed wheat requirements, and is in a worse position as regards barley, and especially oats. The Department of Agriculture has already taken steps to provide some relief and has orders in hand for 20 car lots of oats and a large quantity of barley, which it is now collecting. A special representative of the Department has obtained considerable supplies of both grains, including oats testing $97\frac{1}{2}$ per cent, and barley testing 95 per cent. He has authority to purchase and distribute seed to farmers at a price representing cost plus handling.

As a result of the special legislative session, the Montana Seed Law will probably be reconstructed and an act passed at an early date under which it will prove possible for the counties that are in need of seed to move promptly in providing oats, barley and wheat for farmers that are practically without seed or the means of obtaining it. Public-spirited citizens of that state have taken a keen interest in the situation, and in one of the important eastern grain-raising areas, local men are interesting themselves in active steps to relieve the situation.

THE SEED CORN SITUATION

After careful inquiry since early December, the Federal Reserve Bank completed late in the month a survey of the seed corn situation in the Ninth Reserve District, in the course of which it distributed 10,000 posters and 180,000 warnings to individual farmers.. A total of 641 reports were obtained through the co-operation of local banks, out of which 143 disclosed the names of persons having supplies of seed corn for sale. The remaining 498 reports were from communities in which there is either no seed corn available or an insufficient supply to meet local requirements at planting time. Comparatively few counties except in South Dakota report that the farmers are well supplied with seed, and it is evident that in many cases where farmers are holding supplies for their own use in the spring, that because of failure to make proper tests, a disappointing result is in prospect.

As a result of the census, it has been possible to list the names and addresses of farmers having 125,000 bushels of seed for sale, or approximately seed requirements for 625,000 acres. This information has been listed and sent forward to each bank in the Ninth Reserve District in the hope that by providing information as to corn that is for sale, even though it be in small lots, a shifting of supplies can be brought about, through which localities that are now without seed can be supplied.

The reports indicate that on account of the abnormally high price of seed corn, which is now quoted at from \$6.00 to \$12.00 per bushel, that many farmers have already become discouraged and are planning to put in other forage crops with a consequent reduction of the corn acreage. Some shrinkage of the acreage is inevitable. It is still too early to obtain any accurate idea as to how serious this will prove to be, but the difficulty of obtaining seed in localities that have none, and too much dependence upon the quality of seed supplies that the farmers have individually saved, will likely be two important factors tending to cut down the amount of corn grown this year.

Banks and others interested should carefully consider this phase of the problem, and where a shrinkage of the corn acreage cannot be avoided, every effort should be made to induce farmers to replace the shortage in their corn-planting by the planting of other forage crops.

A characteristic instance of the difficulty in obtaining a satisfactory quality of seed corn relates to a car purchased at Minneapolis in December which showed a germination test of 98 per cent. The same corn retested within the last two weeks shows only 57 per cent, although since the date of purchase it has been properly stored and carefully handled, and has not been exposed at any time to freezing weather. The same low vitality characterizes much of the seed corn in the district. Approximately the same situation that prevails in Wisconsin, Minnesota and North and South Dakota, prevails as well over the remainder of the corn section of the United States, and recent reports from Iowa and Nebraska indicate that there will be great difficulty in obtaining sufficient seed for spring planting and that the same deterioration in quality during the winter months is also in process there.

WINTER WHEAT ACREAGE LARGE

Montana's winter wheat acreage is large and weather conditions so far have been ideal. The wheat crop of that state will be increased in size this year if satisfactory arrangements for the distribution of seed can be completed before spring. The Department of Agriculture has recommended the importation of seed wheat from southern Alberta, because of its proximity to the wheat growing portions of Montana and because of the congestion of railway transportation. Alberta has at the present time a satisfactory amount of wheat of good quality that can be had for use in Montana.

PRICE RELATION OF OTHER GRAINS TO WHEAT

A new and peculiar element enters into the problem of the crop acreage this year. This will be the first spring-planting under price regulation by the Government. This extends only to wheat, but other small grains and corn have shifted their price relation to wheat as a result of this partial control, and are more nearly equal to wheat than ever before. Seed oats, seed rye and seed barley will be higher this spring than ever before at the planting season. Corn, because of its scarcity, has already reached record figures. Farmers are talking of planting less corn, and it is very possible that without some further price regulation to restore the old relation between wheat prices and the prices of other grains, the high cost of seed, plus its scarcity, may deter farmers from planting the usual wheat acreage and encourage them to give more ground to other grains and fodder crops.

If the prices of barley, rye and oats remain as high as at present, there will be more money for the average farmer in planting these crops than in planting wheat. While it is too much to expect that the farmers will view the question of the wheat acreage solely from a patriotic standpoint, it is clearly the duty of each farmer to take the urgent demand for wheat into consideration and to do his part in preventing a serious reduction in the totals of the 1918 crop.

Banks and bankers might well look carefully into this phase of the problem and take such steps as are appropriate to hold up wheat planting in their localities to a normal level. There is little question but that seed wheat for a normal acreage can be provided.

Nothing could be more serious than for the Northwestern production of hard wheat to drop off sharply at a time when not only our own people but the armies at the front and the people of the Allied nations need this important cereal more than any other one grain.

In the larger centers throughout the district, wholesale and retail trade continues on an even keel, and the industrial situation shows little change. Most of the producing concerns are very active, and war business, either on direct or indirect orders, represents a considerable proportion of the output.

BANKING AND BUSINESS CONDITIONS

Interest rates are being maintained on a 6 per cent basis and have been firm during the month. One of the interesting developments in the banking situation is that the investments of the public in the first and second Liberty Loans, in War Savings Stamps and in Thrift Stamps, seem in no way to affect banking deposits which over the district as a whole increased appreciably. In the western part of the district, some of the banks have lost somewhat in deposits on account of the withdrawal of funds deposited on time certificates by persons living in outside territory, chiefly in the East. The reports compiled at the close of 1917 show, however, that widespread popular investment in Government loans does not hurt banking resources or decrease deposits. It is a matter of congratulation that the banking situation shows its present strength under war conditions, and that trade and industry continue to enjoy prosperity, while labor is rather better employed than at normal times, and at a more favorable scale of wages. One is compelled to admit that in spite of heatless Mondays, wheatless and meatless days, the difficulties and interruptions of railroad traffic, and even the drafting and forwarding to training camps of considerable numbers of men, the Ninth District so far shows very few outward signs of the strain of war. Some change has come about, chiefly evident in a better spirit of thrift, conservatism and economy, but the adjustments have not been radical, nor have they greatly inconvenienced the public or interfered with business.

It will be unsafe, however, to assume that the people of the Ninth District are not fully alive to their responsibilities and the seriousness of the present situation. Active preparations are in progress in every state and county for the Third Liberty Loan. The organization of the details of the sale to the more than five million people in the district, of war savings and thrift stamps is proceeding rapidly, and the sales of these small Government obligations increased substantially during the month.

SAVING FOR THE THIRD LIBERTY LOAN

The results of the coming Third Liberty Loan will depend somewhat on the date on which it is called, which will probably be in April. It is evident that it will be strongly supported, and that very many people have already adopted investment in Government securities as a habit.